

Committee on Finance and the Northampton City Council

Councilor David A. Murphy, Chair

Councilor Jesse M. Adams

Councilor Maureen T. Carney

Councilor Marianne L. LaBarge

**City Council Chambers, 212 Main Street
Wallace J. Puchalski Municipal Building
Northampton, MA**

Meeting Date:: March 9, 2016
6:00 pm

1. **Meeting Called To Order:** At 6:00 pm Councilor Murphy called the meeting to order. The meeting was broadcasted live by NCTV. Handouts of the presentation were available; since the last public hearing about the proposed water sewer rates that was held by the Committee on Legislative Matters on February 29, 2016, Mayor Narkewicz added new information based on the questions that were raised at that time.
2. **Roll Call:** Present at the meeting were: Councilors Murphy, Adams, LaBarge and Carney. Councilor Carney left the meeting at 7:00 pm. Other City Councilors present were: Councilor Gina-Louise Sciarra. She arrived at 6:50 pm.
3. **Election Of A Committee Vice-Chair:** Councilor LaBarge moved to open nominations for a Committee Vice-Chair and to nominate Councilor Adams; Councilor Carney seconded the motion. The motion was approved on a voice vote of 4 Yes, 0 No.

Councilor Labarge moved to close nominations and to elect Councilor Adams as Vice-Chair. Councilor Carney seconded the motion. The motion was approved on a voice vote of 4 Yes, 0 No.

4. 16.030 An Order To Establish Water And Sewer Rates For FY2017

The Committee held a Public Hearing regarding the proposed water and sewer rates.

At 6:03 pm Councilor LaBarge moved to open the public hearing; Councilor Carney seconded the motion. The motion was approved on a voice vote of 4 Yes, 0 No.

Mayor Narkewicz began the public hearing with a presentation about his proposal for water sewer rates.

Following the reorganization of city government in November of 2014, the rate setting authority was transferred from the former Board of Public Works to the Mayor with approval by City Council (per administrative order). In March of 2015 a public hearing was held to discuss proposed FY2016 rates; there was a lot of feedback about the rate structure and whether there was any opportunity to improve on how rates were established. In April of 2015 the Mayor recommended that rates be frozen while he researched alternative rate structures and while the DPW finalized the Comprehensive Wastewater Management Plan and a Water Supply Assessment Management Plan.

In August, 2015 the city contracted with Raftelis Financial Consultants, Inc and Woodcock and Associates, Inc. to study water and sewer rates. The purpose was to assess the appropriateness of the city's current rate structure in comparison to Northampton's rate structure objectives and to develop a forecast of water and sewer rates to fund all current and future operating and capital needs while also accomplishing the city's rate structure objectives.

The objectives of the rate structure were: to promote conservation, provide assistance to economically disadvantaged customers, improve equity among customer types, and to enhance revenue stability

City Engineer and Acting DPW Director Jim Laurila talked about the key water capital needs for the next five years:

FY2017 – FY2021 Water Line Replacement - \$4,000,000:

- Conz/North Farms/North Maple/Day: Design and Construction
- Hinckley Street Construction
- Damon Road Waterline Design and Construction
- Other Projects that have yet to be determined

FY2021 – Reservoir Dam Repairs: \$3,500,000

- F.P. Ryan Reservoir
- West Whately Reservoir Dam

Acting Director Laurila went through the planned key sewer capital needs for the next five years:

FY2017 – FY2021 Sewer Line Replacements and System Studies - \$2,565,000

- Day Avenue/Hinckley Street
- Other Projects that have yet to be determined

FY2017 – FY2021 Wastewater Treatment Plant Improvements - \$29,981,000

- \$1,319,000 - Design: Aeration tanks/Disinfection system/flow measurement/electrical

- \$3,984,000 - Construction: Aeration tanks/Disinfection system/flow measurement /electrical
- \$4,606,000 - Design: SCADA controls/dewatering system/sludge pumps/clarifiers/odor control/intermediate pumps
- \$15,720,000 - Construction: SCADA controls/dewatering system/sludge pumps/clarifiers/odor control/intermediate pumps Design: Atwood/Island/Burts Pit/Rick pump stations/Mill River wall rehab
- \$4,352,000 - Construction :Atwood/Island/Burts Pit/Rick pump stations/Mill River wall rehab

The capital improvement plans were depicted on a graph showing the capital needs by year. The graph shows significant changes from year to year. The city worked with the rate consultants to determine the best way to finance the capital projects.

The overall financial plans includes different elements and takes into account all aspects of financial needs, including operating expenses, proposed debt service, existing debt service and cash reserves needed to fund the water system upgrades.

Mayor Narkewicz described the current rate structures. Regarding water charges, all customers are charged the same volumetric rate regardless of type, size, or the amount of water used. A very small fixed charge is assessed per bill, which recovers very little of the water system's fixed costs. There are no charges for private fire protection systems that are installed throughout the city; the FY2016 and FY2015 water rate was \$5.58 per ccf.

The sewer rate structure was described as all customers are charged for sewer services based on 100% of metered water consumption, except for a small number of large industrial customers. The FY2015 and FY2016 sewer rate was \$6.08 per ccf of metered water consumption.

The consultants made the following key recommendations: provide economic assistance to customers who qualify based on current tax exemption criteria; create a two-tier water rate structure for small meters; implement a larger fixed charge; create new private fire protection charges; and assess sewer rates at 80% of metered water consumption.

Mayor Narkewicz summarized the proposed FY2017 water and sewer rates:

Proposed Water Rates:

Customers with 1" meter or smaller: Tier 1 consumption: 0 – 16 CCF \$4.73 per CCF; Tier 2 consumption: >16 CCF \$6.21 per CCF

Customers with meter larger than 1": All consumption \$6.09 per CCF

Proposed Sewer Rate:

Non-metered \$7.52 per CCF based on 80% of metered water consumption; Metered \$7.52 per CCF

Mayor Narkewicz talked about the 16 ccf conservation rate. The number was derived from the DEP National Standards of water consumption. The DEP suggests that individual consumption goal is 65 gallons per person per day. Since the average household in Northampton is 2.07 persons, the 65 gallons per day was multiplied by 2. This totals 134.6 gallons per day for the average household. This total was divided by 7.48 (this amount represents 1 cubic foot of water); 134.6 divided by 7.48 equals 18 cubic feet of water. To determine the water rate for a three month period, 18 cubic feet was multiplied by 90. 18 cubic feet times 90 days equals 1,620 cubic feet per quarter. 1,620 cubic feet per quarter divided by 100 equals 16 ccf per quarter.

The DPW will be the authorized city agency (with final approval by the Mayor) to establish fixed charges based on the customer's meter size. The fees will be as follows:

Meter Size	Quarterly Fixed Charge
5/8"	\$12.64
3/4"	\$18.96
1"	\$31.59
1.5"	\$63.17
2"	\$101.07
3"	\$189.51
4"	\$315.85
6"	\$631.69
8"	\$1,010.69

Ninety-five percent of customers (8,135 customers) have meter sizes 1" or smaller. Five percent (389 customers) of customers have meters that are larger than 1". The breakdown down is not based on whether a customer is commercial/residential/industrial. The number of customers who have a particular meter size, and the percentage of the customer base they represent are as follows:

Meter Size	Customers	%
5/8"	7151	83.89%
3/4"	375	4.40%
1"	609	7.14%
1 1/4"	2	0.02%
1 1/2"	187	2.19%
2"	139	1.63%
3"	43	0.50%
4"	15	0.18%
6"	2	0.02%
8"	1	0.01%
Total	8524	100.00%

The Mayor talked about an affordability program. For customers who currently qualify for a low-income exemption on real estate or CPA, they will also automatically be exempted from

the fixed charge. This will reduce the customer's bill by the amount that the customer cannot reduce through conservation methods.

The Mayor reviewed the quarterly fire protection charges that will be set by the DPW. This is a totally separate water line that is unmetered. Currently there are no charges for this private service, so the cost burden is borne by all customers. The proposed charges will only be borne by customers who have the service. The charges will be as follows:

Fire Line Diameter	Quarterly Charge
<2"	No Charge
2"	\$10.00
3"	\$25.00
4"	\$60.00
6"	\$170.00
8"	\$360.00
10"	\$645.00

The Mayor reviewed the impact the proposed rates will have on customers. The summary also included the impact that the new rates will have on selected local businesses.

Customers can determine what their new bill might look like using the water/sewer calculator on the city's website.

In closing, the Mayor quoted from a study done called **Massachusetts Water Infrastructure Toward Financial Stability 2012 Report**. The study looked at water infrastructure across Massachusetts; what the condition of it is, how much people are planning, and how much people are paying for this resource.

"For a service that has a very high societal value, where failures will cause great inconveniences, loss of business, and jeopardize the public health, we often fail to pay enough for the service.

Ironically, many of us see the value in high monthly fees for internet or cable service. As a point of comparison, water rates on an annualized basis compare to the following rates paid for other commonly used utilities:

**Current Average Rates Expressed As
Average Monthly Payment And As
Percentage Of Median Household Income**

	Avg Monthly Pmt.	% MHI
Water rate	\$ 28	0.52%
Sewer rate	\$ 41	0.75%
Cellular Phone	\$50-60*	0.92%-1.10%
Cable TV/ Internet	\$70**	1.28%
Electricity	\$45-65†	0.83%-1.19%

Sources: *Kiplinger's May 2009; **Centris Research April 2009; †Mass. EOEAA website

In a 2010, the ITT Corporation conducted a survey of American voters concerning the value of water. Sixty nine percent of those polled agreed with the statement: 'I generally take my access to clean water for granted.' A full 95% of American voters polled in the same survey value water over any other services they receive, including heat and electricity."

Committee questions were taken first:

Councilors LaBarge and Adams asked about the consultant fees. Mayor Narkewicz reports that the total contract cost was a maximum of \$29,000 combined for both firms. To date, the consultants have been paid \$21,000 combined. Bills are submitted at different phases throughout the contract period. The monies come out of the water / sewer enterprise funds, specifically the Engineering and Design services line item within the DPW budget. The project started in August of 2015. The DPW provided data regarding the capital project plans, operating expenses and other budgetary information.

Councilor LaBarge asked about the procedure to qualify for a low income exemption. The Mayor stated that income certification is done on an annual basis. The city uses a form approved by the state. The assessor meets with the applicant privately to determine eligibility.

Councilor Adams asked how the new rate structure would change the distribution borne by the different customer types. Mayor Narkewicz explained that it would be impossible to determine this information because the billing system is not coded based on residential / tax exempt / commercial class, but rather by meter size. Any class of customer can have any one of a number of meter sizes. The classification for water rates is not the same as how the classification is set up for tax rates.

Councilor Adams noted that the Northampton water rates are high compared to rates in other communities. He asked whether there was any comparison done regarding the increases and future rates given that they will be going up 5% per year. The Mayor indicates that while the plan is to generate 2% additional revenue per year for water and 3% additional revenue per year for sewer, this does not mean that everyone's rates will increase by 5%. There are many variables that will determine what the increase will be. Also, given that there are different systems in different communities, it is difficult to compare rates against other communities. While the city of Springfield has a similar setup to Northampton, the number of gallons that they supply is much greater. Their infrastructure is supported by a larger customer base.

Councilor Adams noted that different communities have different challenges, but he feels that it is quite easy to compare bills. If you are a business coming into the city, you can compare bills from different communities and see how one community might be more cost friendly over another community. This is why he would like to see comparisons between neighboring communities, particularly, which other communities have a similar rate structure to the one that is being proposed. There are other things as well, like CPA.

Chip Parsons of 137 Mill Valley Road in Hadley has farm land in Northampton. He is also a member of the Northampton Agricultural Commission. He wondered whether there was any thought given to a different rate for agriculture. Mayor Narkewicz noted that water use for agriculture was not something that was identified as a specific concern. Acting Director Laurila noted that the treatment costs for customers in this category are the same as for other categories. If consideration is given in the future, customers in this category include Smith Agricultural School, the Northampton Community Gardens, and local farmers, however, if this is done, the burden of cost shifts to other customer types.

Mr. William Golaski of 68 Golden Drive in Florence has been a resident of Florence for 27 years. He holds a plumbing license in the state of Connecticut. In 2014 he notes that the city of Northampton won an award for water consumption well below the 65 gallon per day average rate. He wonders whether the city needs to continue conservation measures. He notes that conservation ultimately leads to lack of revenue, which will lead to rate increases. He noted that the city council said that affordability is paramount to our city; he doesn't believe the current or proposed water rates promote affordability in Northampton. Current and proposed rates also do not attract young families into our community, nor do they afford senior citizens the opportunity to remain in the city. Rates sizes based on meter size does not make sense to him; they are discriminatory toward larger families. Rates should be set on usage, not based on what size your meter is. In the past 10 years, water rates have increased 71.44%; sewer rates have increased 52% over the past 10 years. He questions whether the land acquisition program, as outlined in the presentation makes sense. Does the city need to add land to its watershed? \$1mill proposed to spend on land would go a long way toward the \$8 mill proposed projects. He believes water rates should be frozen or decreased. He questions whether the average household size is 2.07 people in Northampton. He also noted that some of the monthly expenses incurred by families are optional, such as cable or cell phone charges. Water is not an optional expense. Finally, regarding the chart that showed proposed water rate changes for businesses, he questioned whether the water consumption was for a particular time of the year.

Mayor Narkewicz noted that the current household size in Northampton is 2.07 people, which follows closely to the average household size in the state of Massachusetts. Regarding the water consumption of businesses, the Mayor indicated that an average of 4 quarters was used in each calculation for each business representing a full year of water consumption. Regarding the land acquisition program, Acting Director Laurila indicated that the D.E.P. views that the best protection of water quality is done by protecting and managing the land around the water source. The city is obligated by D.E.P. to have a water source protection plan which outlines the city's strategy for protecting the water quality. One important element of this plan is the land acquisition plan. Since 2009 the city has acquired about 250 acres of land in the watershed area. This is viewed favorably by the state. There is commonly grant money

available for acquisitions of such land as specified under the plan; over the past five years, the city has received over \$400,000 in state grants to purchase land identified as critical in our protection plan. The city operates in a highly regulated environment for both water and sewer. Many of the capital projects, both past and future, are mandated by the D.E.P. on both the federal and state level.

Mr. Mike Kirby of 134 North Street in Northampton had a question about the quarterly fire protection charge. Mayor Narkewicz indicated that the fire protection charges will only apply to those customers who have the service. These customers have a separate water line in addition to their water supply.

Mr. Fred Zimnoch of 23 Pomeroy Terrace in Northampton had two concerns. First, the projection of the rates beyond fiscal 2017 and the potential of raising rates every year. Mayor Narkewicz said that the rates will need to be voted upon annually. He can possibly project the rates based on some underlying assumptions, but several factors will affect the final rate going forward. Mr. Zimnoch also asked about the amount of projected revenue the Mayor expects the city to receive for FY2017; the Mayor indicated that this would be tricky because the revenues are tied to the rates. The proposed rates are projected to raise an additional 2% of revenue on the water enterprise fund and 3% additional revenue on the sewer enterprise fund. Mr. Zimnoch asked what in the plan would make him want to conserve water. The Mayor announced that in addition to the rain barrel program, the city will be making available conservation kits that might include aerators for showers, devices that will allow toilets to act as low-flow toilets. Mr. Zimnoch asked that once all projects have been completed, whether there was the potential for water rates to go down. The Mayor indicated that there was that potential.

Wes Hardy of 19 Mark Circle asked what the definition was of "improve equity among customer types". He also asked what the penalty was for not meeting the discharge permit. For fire protection, he asked the Mayor to consider a volumetric charge in addition to the line charge. He indicated that the fire protection charge is something that is required. If this is the case could the city implement a sidewalk charge, or a bike lane charge. Regarding the tax exemption qualification, he wondered if it was a tax and why someone would apply for the exemption at the Assessor's Office if it weren't a tax. Regarding the fixed charges, the City Council will have no oversight. What is preventing the Mayor from implementing an outrageous fixed charge? Mr. Hardy also feels that the idea of generating more revenue while promoting conservation does not make sense. Mayor Narkewicz indicated that Northampton has a major focus on being a sustainable community. For that reason, it was deemed important for conservation to be part of the overall plan. The system was built to be clean and affordable and to help people curb expenses. Equity among customer types breaks down into a large class of smaller customers and a small class of larger customers. These classes are based on meter size. Proposed rates are based upon use of the system. Regarding using the Assessor's Office to determine eligibility of need discount, there is already a state-approved discount program run by this office. The criteria for determining eligibility will be the same as for the CPA reduction, the senior/veteran work-off program, and the stormwater fee reduction. The Mayor reports that the reason why his household consumption exceeds the 16 ccf is because he has two teenage daughters at home. When his household size is reduced, he expects his household consumption to be less. The Mayor recognizes that he must answer to voters in the city. This prevents him from imposing unrealistic or unreasonable

fees. Regarding a mandatory requirement for fire suppression system, he acknowledges that there are businesses or residential units that are required to have a separate system installed. This does not mean that everyone in the city should be responsible for paying for that system as they are at this point. The Mayor points out that these customers are not required to use the city's water system at all. There also non-water based systems that would satisfy the fire protection requirement. Also, some businesses have chosen independent water sources to comply with the requirement. Mayor Narkewicz indicates that fee setting authority is granted under Mass General Law. Fees, whether set by City Council, the Mayor, or other, must be reasonable and has to bear a relationship to the service that is being provided. Otherwise it is considered a tax and would be illegal.

Mr. Kirby asked a question about the large users. Mayor Narkewicz indicated that the five large users are: Coca-Cola, Packaging Corporation of America, Cooley Dickinson Hospital, Florence Casket Company, and L3KEO. These companies have a special sewer meter. Mr. Kirby asked about other communities that were using the same consultants that the city used. Mayor Narkewicz indicated that the information can be found on the contractor's website and a link is available on the city's website. Mr. Kirby asked whether the land where the former reservoir was in the 1800's might be put up for sale to pay for some of the city's planned projects. The Mayor indicated that he would look into the possibility. Acting Director Laurial indicated that the city does own a lot of land and the vast majority of it is within the existing watersheds. There is some land the city owns that isn't in the currently active watersheds. A determination would have to be made about whether it was in the city's best interest in the long run to divest of this land.

Director Laurial points out that having a rate structure tied to the conservation rate is sensible. The way that the state enforces some of the stipulations, like the 65 gallon per day conservation use, they tie it to actions for grants and loans for water and wastewater systems. If the city were to seek a \$30 million loan for a wastewater treatment project, and then the city went to the state to ask for a low interest loan or a grant, one of the things that the state would ask would be how is the community conserving its water. One way to answer this question is to show that our rates are tied to a conservation level.

Mr. Hardy asked about the penalties associated with non-compliance of the permits. Acting Director Laurila reports that the fines can be up to \$10,000 per day and higher fines or imprisonment for not assisting a community in a way that they should in order to meet the permits.

Councilor Adams asked whether there were any plans to provide indirect general fund support from the water and sewer enterprise funds. Mayor Narkewicz indicates that the indirects have been going down over the last several years; the indirect schedule has been revised as a result. This year there will be an increase in health insurance rates. Since the indirects only cover the indirect costs, this will not generate new indirect costs as a result of the revenues going up. Most of the revenues are geared toward water infrastructure projects. Business manager Susan Wright reports that the whole indirect program. The enterprise funds now truly reflect the personnel that are working in that area.

Councilor Adams stated that fire protection fees are not based on usage at all. This means, in his opinion, that these should be viewed as a tax which would require City Council approval.

Also the taxpayers are already paying real estate taxes to fund fire services so this is like “double-dipping”. To him it is a fixed assessment based on tangible property. It doesn’t seem to be a user fee at all. He feels that it is a tax wrapped inside of a fee.

Councilor LaBarge asked about the Habitat project and the fire suppression system that was installed for that project. The Mayor believes that the system installed was suitable for residential buildings and did not require water lines larger than 2”. This would mean a \$40 annual fee split between the six residential units at that location.

Mayor Narkewicz noted that the handout contains a copy of one slide with errors. It is the page showing local businesses average quarterly bill comparison. Three amounts were incorrect on the handouts--the average quarterly consumption (ccf) for Coopers’ Corner should be 68; Main Street Cleaners should be 60; Northampton Brewery should be 516. All rate calculations were correct.

At 8:15 pm Councilor Adams moved to close the public hearing; Councilor LaBarge seconded the motion. The motion was approved on a voice vote of 3 Yes, 0 No, 1 Absent (Councilor Carney). Councilor Adams moved to return the order back to the full city council with a neutral recommendation; Councilor LaBarge seconded the motion. The motion was approved on a voice vote of 3 Yes, 0 No, 1 Absent (Councilor Carney).

5. New Business

- 6. Adjourn:** At 8:17 pm Councilor LaBarge moved to adjourn the meeting; Councilor Adams seconded the motion. The motion was approved on a voice vote of 3 Yes, 0 No, 1 Absent (Councilor Carney).

Prepared by:

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